

ROUTING

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday July 6, 1977

CG NIDC 77-155C

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Wednesday, July 6, 1977

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The NID Cable is for the purpose of informing senior US officials.

CONTENTS

PAKISTAN: Post-coup Policies Page 1

RHODESIA: Political Problems Page 2

CHINA: Buying Australian Wheat Page 5

TURKEY: Forming A New Government Page 14

SPAIN: New Cabinet Personalities Page 15

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PAKISTAN: Post-coup Policies

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Pakistan is calm in the wake of the military coup. General Zia-ul-Haq, the chief of the army staff and now chief martial law administrator, announced yesterday that all political activities are banned, but reaffirmed that a new national election would be held in October. He asked that political parties cooperate in preparing for the election and promised that the ban on political activity would be lifted beforehand. Zia said that after the election the government would be turned back to elected civilians.

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The martial law administration includes a military council comprised of the chiefs of staff of the three services and the chairman of the Joint Chiefs of Staff. Pakistan's president, Fazal Elahi Chaudhry, remains the titular head of state, theoretically receiving advice from the military council. He is, in fact, a figurehead, as he was under former prime minister Bhutto.

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The retention of Chaudhry as president and the announcement that the constitution has not been abrogated, although certain articles have been suspended, give the new government a degree of legitimacy and are also aimed at preventing difficulties regarding foreign recognition.

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Zia's pledge that his government would honor all agreements and promises by the Bhutto administration presumably means that the controversial agreement with France for a nuclear reprocessing plant will go forward. In the relatively brief period between now and the promised election, however, the martial law administration will have little time to devote to major decisions on either foreign or domestic matters.

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Serious opposition to the new government seems unlikely to develop in the near future, if at all. The nation has experienced military domination of the government for 13 of the past 19 years. The Pakistan People's Party--with its founder, Bhutto, under detention--will be disorganized and without a recognized national leader. Little resistance to the new regime appears likely from Bhutto's opposition, the Pakistan National Alliance, which has long been demanding an early election under military and judicial supervision and the removal of Bhutto from power.

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25X1 [] //Zia, 52, has been in the army since 1944. He is
25X1 a strong nationalist but is believed friendly to the US, where
he attended two army staff schools when he was a major.// []

RHODESIA: Political Problems

25X1 [] Rhodesian Prime Minister Smith faces mounting political problems as his government attempts to deal with the latest settlement effort and to continue the fight against the guerrillas. Individually, most of the latest developments are not threatening, but taken together they add to the country's unsettled political situation and provide a further stimulus to declining white morale.

25X1 [] The formation of a new right-wing opposition party and the resignation of the ruling party chairman reflect long-standing divisions within the white community. Smith's ability to govern may be more seriously hampered, however, by differences that are reportedly growing between some of his political and military advisers.

25X1 [] The announcement yesterday by 12 members of parliament who oppose concessions to the black population that they are forming an opposition group--the Rhodesian Action Party--formalizes a split that developed last March. At that time, the 12 legislators broke from the ruling Rhodesian Front and tried unsuccessfully to block the government's legislative proposals lifting some discriminatory measures against blacks. The new party's platform rejects moves toward majority rule and supports a confederated political solution that it says would protect white political and economic power.

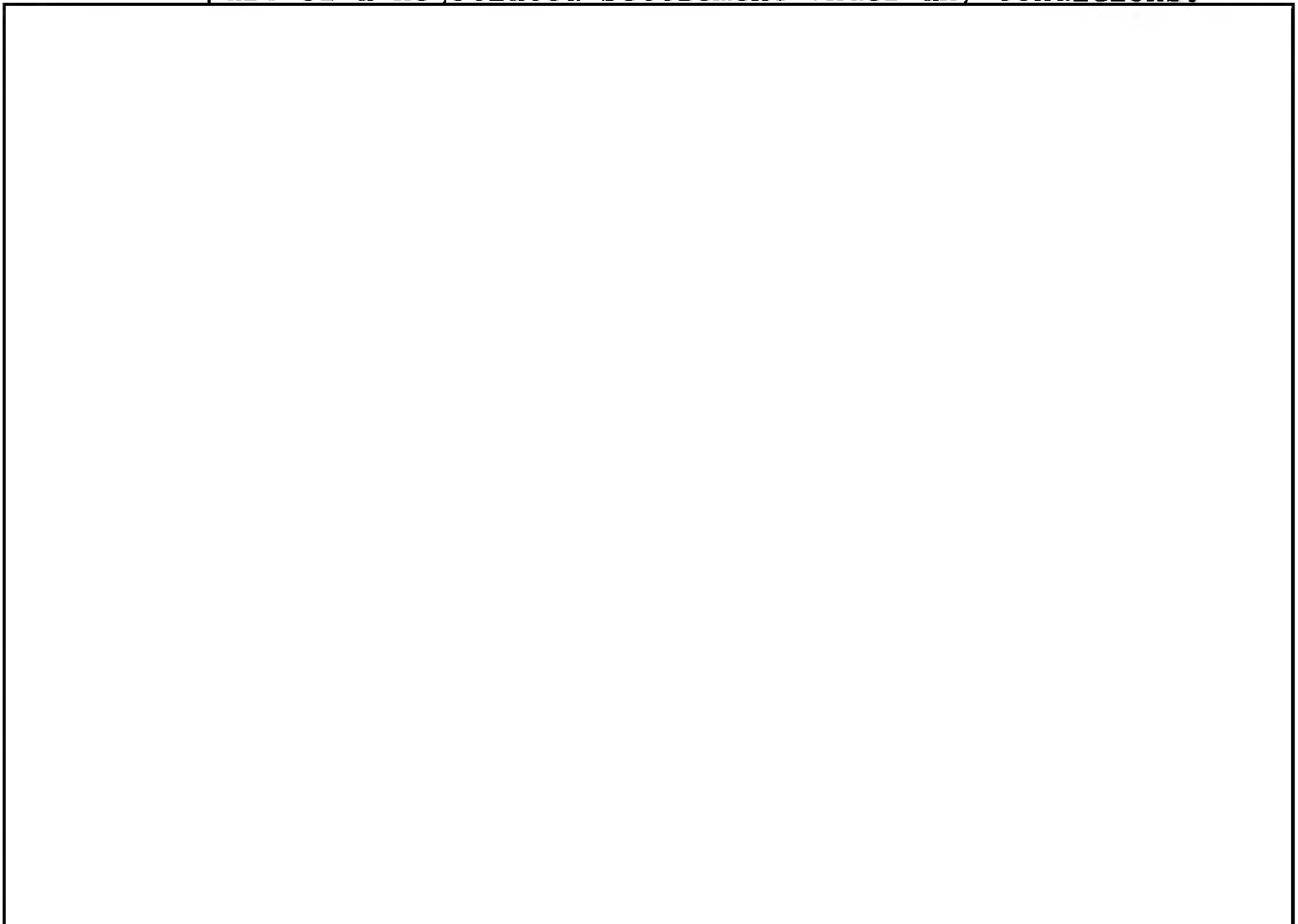
25X1 [] It is not clear whether Des Frost, who resigned as chairman of the Rhodesian Front last week and criticized Smith for "tired and negative" leadership, will join the new party. Frost, however, shares the hard-line views of the dissident legislators and has opposed some of Smith's policies from within the ruling party for many months.

25X1 [] The right-wing political figures apparently have decided to challenge Smith actively, but they may not be able to attract much new support. Smith has asserted publicly that the

ruling party will be healthier without Frost and suggested that at least a dozen more party members should also resign. Several local Rhodesian Front officials apparently have left the party in the past few days.

25X1 [] Smith still has a majority in parliament, and he probably will try to avoid calling an early general election. He must gain the support of several independent black legislators, however, to reach the two-thirds majority necessary for any amendments to Rhodesia's constitution.

25X1 [] Some of Rhodesia's military leaders are adding publicly to the pressures on Smith. The army commander recently asserted that his troops were loyal to the nation and not to the ruling party. He stated that the army would not accept disbandment as part of a negotiated settlement under any conditions.



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CHINA: Buying Australian Wheat

25X1 [] //Australia announced on Monday the sale of 3 million tons of wheat to China. The deal is valued at about \$310 million, making it the largest single wheat contract ever made by Australia. The purchase probably will keep grain handling facilities at Chinese ports working at full capacity through mid-1978.//

25X1 [] //Deliveries are to begin next month and be completed by August 1978. Most of the wheat will be from new crops, and therefore cannot be delivered until after the end of this year when harvesting is likely to be completed. The amount of old wheat that Australia will be shipping this year will probably be less than a half million tons. This is about all the Chinese can take in 1977 because grain-handling facilities at Chinese ports are already scheduled for near-maximum use through December.//

25X1 [] //The purchase from Australia follows closely a 3-million ton deal the Chinese made with Canada in late May. Since November, China has contracted for 11.5 million tons of wheat--5.5 from Australia, 5.3 from Canada, and 0.7 from Argentina. The total amount of grain to be delivered this year could reach 7 million tons, which would be close to the 1973 record of 7.6 million tons. An estimated 4.5 million tons are to be delivered from January through July 1978.//

25X1 [] //The heavy Chinese wheat purchases this year are the result of a mediocre harvest in 1976 and a spring drought that affected this year's winter wheat harvest. Also, China is probably taking advantage of low world prices to replenish grain stocks that were drawn down in 1975 and 1976 as part of an effort to combat its balance-of-payments problems. []

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Next 7 Page(s) In Document Exempt

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TURKEY: Forming A New Government

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Turkish President Koruturk has tasked former prime minister Demirel with forming a new government after Prime Minister Ecevit resigned on Sunday. Ecevit's resignation came after Turkey's three major center-right parties combined to topple his two-week-old minority government in its first test of strength. Demirel will face problems in forming a working majority in the fragmented National Assembly, and Turkey's political and economic problems may continue for some time.

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Demirel, leader of the Justice Party, most likely will try to reconstitute the conservative "national front" coalition he led for the two and a half years prior to Turkey's recent parliamentary election. Three parties of that coalition--Demirel's, the Islam-oriented National Salvation Party, and the extreme right-wing Nationalist Action Party--now control an outright majority in the lower house..

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Negotiations, however, are expected to be prolonged and difficult, and Demirel is by no means guaranteed success. Nationalist Action leader Turkes seems amenable to cooperating with Demirel, but Salvation Party leader Erbakan--who holds the key to Demirel's chances--has served notice that he will exact heavy concessions in return for cooperating.

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Demirel, moreover, may not have his party solidly behind him. One senior party member opposes dealing with Erbakan on the latter's terms, while a group of other party members apparently opposes cooperating with the Salvationist leader at all because of Erbakan's general obstreperousness in the earlier coalition.

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Even if Demirel were to succeed in putting together a national front government, it would be constrained by the same internal contradictions that virtually paralyzed his former cabinet, particularly as it sought to grapple with the Cyprus problem and with relations with the US.

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//In the meantime, Ecevit's government will stay on in a caretaker capacity, but it will be unable to deal firmly with such pressing concerns as the economy and civil disorders. The political developments of recent days may in fact worsen both problems. International bankers who hold the

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key to solving Turkey's severe balance-of-payments problems will be reluctant to aid the nation so long as it lacks an effective government.

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If Demirel fails to form a government, Ecevit would probably get a second chance. Political expediency might dictate that Ecevit would try to come to terms with Erbakan, with whom he was allied briefly in 1974. By then, however, pressures from outside the narrow parliamentary world could force him to consider the possibility of a "grand coalition" with Demirel. This alternative would probably provide the best hope for political stability, but a grand coalition would require the politicians to put country ahead of party--something they have not done in recent years.

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SPAIN: New Cabinet Personalities

Spanish Prime Minister Adolfo Suarez chose the members of the cabinet he announced Monday with an eye to dealing with urgent economic and political problems and to strengthening his control over the military. Suarez again showed his talent for maintaining continuity while preparing for political reform by retaining six key ministers and adding 13 new faces, most of whom worked under Franco but are reform-minded. Most of the cabinet members belong to his Union for the Democratic Center, but some are independents and technocrats who share his centrist political tendency. Suarez' minority government does not have to be approved by the parliament, but the Prime Minister could muster the 11 votes needed for approval by a majority.

Suarez showed that he will emphasize solving economic problems by appointing new Economic Minister Enrique Fuentes Quintana a deputy prime minister and economic czar. Francisco Fernandez Ordonez, the new minister of finance, is a Social Democrat who reportedly is trusted by the Socialists and favors drastic tax reform to spread the country's wealth more equally.

In an effort to reduce the military's political influence and to facilitate modernization of the armed forces, Suarez created a defense ministry, which is to absorb the three

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present service ministries. He retained liberal General Manuel Gutierrez Mellado as first deputy prime minister and made him minister of defense.

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[] To aid him in political matters, Suarez created a deputy prime minister for political affairs and named his former agriculture minister, Fernando Abril Matorell, to the post.

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[] For handling the pressing problem of autonomy for the Basque and Catalan regions, Suarez appointed Manuel Clavero Arevalo, a liberal, as minister without portfolio and assistant minister for the regions.

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[] To aid him in solving other pressing problems, Suarez created a new ministry of health and social security and a combined ministry of public works and urban development. He also established a ministry of culture and welfare under Pio Cabanillas, a liberal, who was fired by Franco as information minister in 1974 for allowing greater press freedom.

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[] Along with his deputy prime ministers for defense and for political affairs, Suarez retained his foreign minister, Marcelino Oreja, a Christian Democrat, who strongly supports membership for Spain in both the EC and NATO and advocates close ties with the US. []

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